

Unemployment rate expected to decline in coming months

THE unemployment rate in Malaysia would most likely go down in the coming months following the resumption of economic activities, said Malaysian Rating Corp Bhd head of economic research Firdaos Rosli.

The unemployment rate in Malaysia fell by 4.6% in August 2021 compared to July's 4.8% drop as more economic activities are allowed to resume in the recovery phase.

However, he noted there would also be a time where the rate would not decline, which is a natural occurrence as there would be a percentage of population that will remain unemployed due to various reasons.

"What we do not know is if there would be a new level for the natural rate of unemployment, particularly after the crisis.

"Without the crisis, Malaysia's rate would be between 3.3% and 3.5% of the labour force. Right now we do not know if there will be a much elevated rate of natural unemployment."

Firdaos said the reduction in unemployment in August was mainly due to rehiring of workers above the age of 30.

As for individuals below the age group as well as fresh graduates, he said employers that hire those with little to no experience would have the upper hand in determining the salaries for them.

"Economic crisis affects younger workers disproportionately, so it would be harder for job-seeking younger workers during a crisis. The demand side of the labour market has the upper hand at times like these. So, it all depends on younger workers' own preferences and priorities," he added.

The Department of Statistics Malaysia reported last Friday that the number of unemployed individuals dropped 4.6% on a monthly basis to 748,800 in August (July: 778,200) as employment rose with more states moving into the next phases of the National Recovery Plan (NRP).

The number of employed individuals rose by 0.5% month-on-month (MoM) to 15.38 million in August (July: 15.29 million) with employment-to-population ratio picking up by 0.2 percentage point (ppt) to 65.2%.

"This was the first decline in unemployment after registering increases in June and July 2021. The unemployment rate for the month of August 2021 was down by 0.2ppt to 4.6% compared to July, which recorded 4.8%.

"Hence, the number of the labour force continued to increase for the second month by 0.3% to 16.13 million persons in August 2021 (July: 16.07 million persons). The labour force

participation rate during the month improved by 0.1 percentage point to 68.4% (July: 68.3%),” said chief statistician Datuk Seri Dr Mohd Uzir Mahidin.

The services sector continued to register positive growth on a monthly basis, particularly in food and beverages, wholesale and retail trade, and human health and social work activities.

Manufacturing and construction sectors also posted positive growths in employment after recording decreases last month, while agriculture and mining and quarrying sectors remained on a downward trend.

The resumption of more economic activities led the number of employed persons who were temporarily not working to further decline by 13.5% to 671,200 thousand persons (July: 776,300)

“The actively unemployed or those who were available for work and were actively seeking job encompassed 83.8% of the total unemployed. This group was reduced by 3.7% to 627,500 thousand individuals (July: 651,300).

“A similar trend was observed in the inactively unemployed who believed that there were no jobs available, which decreased by 4.4% MoM to register 121,300 people (July: +0.8%; 126,900).”

With the vaccination rate reaching 90% for the adult population, as well as resumption of economic activities at a greater capacity, he said these movements signalled that Malaysia’s economy will rejuvenate gradually although challenges remain in the upcoming months due to the uncertain health situation.

“The encouraging economic performance may increase labour demand, including the creation of more job opportunities in the economy. Therefore, the reviving of the economy and the labour market is foreseen in stages in the forthcoming months,” Mohd Uzir added.

MIDF Research economist Abdul Mui’zz Morhalim opined unlike companies in major markets that face challenges to fill vacancies with qualified candidates, he does not expect intense competition or difficulty for Malaysian companies to increase hiring.

Labour demand is also expected to increase as more states move to the next phases of the NRP.

“Meanwhile, the supply of labour is expected to improve with more people entering and returning to the job market. Looking at the pace of job market recovery this year, we do not expect the recovery will be rapid and able to quickly absorb the additional labour force.

“We expect the jobless rate will remain elevated and therefore, it will take some time before the rate will return to the pre-pandemic levels.”

Employment outlook will also improve further for the domestic-oriented industries, namely the services sector.

Abdul Mui’zz said the improving consumer spending will drive hiring in wholesale and retail trade, as well as in food and beverage services.

<https://themalaysianreserve.com/2021/10/11/unemployment-rate-expected-to-decline-in-coming-months/>